Conference on Marine Vessels and Air Quality
8:30 a.m., February 1, 2001
Hyatt Regency, San Francisco, CA
Keynote Remarks by Kurt J. Nagle

The Outlook for Maritime Trade and Ports as Environmental Stewards

Introduction

Good morning. Thank you for your introduction, Jerry.

What I want to do is set the stage for your very impressive conference agenda. Clearly, looking at the list of topics you will cover, and the long list of sponsors, air quality and the environment are critical issues to each of you.

The environment is also one of the most critical issues for the port industry. Environmental responsibility is part of AAPA's mission statement. It consistently ranks among the top five issues of principal concern to ports across the Western Hemisphere.

Compliance with environmental regulations also represents a sizeable investment of staff time and resources for ports. Thirty-three of the ports in the Western Hemisphere have a full-time staff person assigned to managing environmental and mitigation issues, according to AAPA's most recent survey of personnel.

Air quality, and all environmental issues, affect our public's quality of life, as well as the way we do business. Ports want to continue to work with local, state and federal regulatory agencies to ensure a healthy, environmentally sound, quality of life. We work in partnership with carriers and marine vessels to improve air quality.

Marine Transportation

To begin, I'd like to tell you about some of the industry trends that impact our operations. As the world's largest trading nation, the United States accounts for nearly 20 percent of the world's oceanborne trade. The trade moves through a network of oceans, lakes, rivers, canals, locks and dams, and through public and private ports that handle cargo. Approximately 100 deep-draft ports also serve passengers who travel on ferries and cruise ships.

Public ports also play a critical role in our national security. They support the mobilization, deployment and resupply of U.S. military forces overseas.

Ninety-five percent of international cargo by volume is transported by ocean. Nearly 20 percent of all U.S. jobs are directly associated with international trade.

Global Trade

International trade has become an increasingly important engine for economic growth in the U.S. Just 30 years ago, imports and exports accounted for only 8 percent of the Gross Domestic Product, or GDP. By 1999, foreign trade was one-fourth of the GDP.

Whether they realize it or not, consumers depend on the availability of the electronic goods, athletic shoes, automobiles, and foods that travel by ship to their grocery and discount stores. Our efficient transportation system makes movement of freight nearly invisible to buyers and sellers of goods.

Foreign trade and domestic cargo are estimated to grow at an annual rate of 3.3 percent. This growth in cargo tonnage will double the throughput that the marine transportation system will be required to handle in just 20 years.

For example, we can anticipate a burst of trade growth from Asia. U.S. ports supported the China Permanent Normal Trade Relations bill and the U.S. stands to gain unprecedented access to China's markets. A WTO agreement could boost U.S. exports to China by almost $14 billion per year by 2005.

Our neighbors to the north and south will also continue to be our largest trading partners.

The picture, then, for an expanding global market place looks very positive.

Growing Trade and Ocean Shipping

Now, what does this mean for ocean shipping? One consequence of greater trade between nations is that shippers are under greater pressure than ever to deliver the goods in a timely manner. As you well know, in the shipping business, time is money.

One of the ways that carriers are coping with this burst of trade is by making vessels larger. The leading growth area for increases in global trade is in container shipping.

Today, containerships carry about 55 percent of U.S. international maritime trade based on value, and 8 percent in terms of tonnage. Containerized shipments in the U.S. doubled in the last ten years and are expected to double again every 10 to 15 years.

As the amount of cargo carried on containerships increases, ocean carriers look for ways to cut time and costs. Accordingly, the number and size of ships are growing. Approximately 85 vessels with capacities of 6,000 twenty-foot equivalent units (TEUs) or greater are expected to be operational by next year. China Shipping recently announced orders for a 9,800-TEU vessel!

In addition to building larger ships, ocean carriers are merging, forming alliances and establishing partnerships to strengthen their bargaining power and profitability. Also in the works are newly designed high-speed cargo ships. These industry changes require tremendous flexibility and investment in landside infrastructure by ports.

Cruise Industry

On the passenger side of the business, the Cruise Lines International Association (CLIA) predicted that by year-end 2000, approximately 6.5 million passengers would cruise on an annual basis. Taking a cruise is a dream of half of all adults.

According to CLIA, the Caribbean and Bahamas continue to attract just over half of all cruise passengers. Europe and the Mediterranean remain in second place, attracting 15 percent, followed by Alaska at 7.5 percent and the Pacific coast of Mexico at 6.8 percent.

The industry has 158 ships deployed in North America and that number is expected to rise 38 percent to 206 by 2004. 2000 saw the introduction of 13 new ships. The cruise industry's strong growth throughout the 1990s generated a 13 percent increase in the number of cruise ships operating in the North American fleet. They also had an average 11.5 percent increase in passenger capacity.

Environmental Considerations

So we've now discussed two factors that tie into the environmental challenges we face as an industry: trade with other nations will continue to increase dramatically in the foreseeable future. And new, larger ships are coming on-line every month to serve increased cargo and passengers.

Many of you are well aware of the impact of larger vessels on port operations. The major consideration for ports when planning for larger ships is channel depth. The current generation of Post-Panamax containerships require channels from 45 to 53 feet to sail safely. Containership ports around the world are deepening navigation channels down to between 49 and 53 feet.

Dredging

Here in the Bay area, the Port of Oakland is moving ahead to deepen its federal navigation channel to 50 feet. As with all dredging projects, the public is demanding that port look at a variety of dredged material disposal options.

In the future, you will hear more about beneficial uses of dredged material options such as using the material for top soil, potting soil, aggregates, or even bricks. Considering options other than ocean disposal, however, inevitably increases project costs and requires longer lead times. Planning such projects is part of the role ports must now play to balance economic reality with environmental requirements.

Balancing Economy and Environment

Balancing the economy and environment rate highly on issues that are strategically important to ports. In 1993 and 1999 AAPA member surveys, the top strategic issues for all four delegations: U.S., Canadian, Caribbean and Latin American, were facility expansion, the ports' ability to secure funding, and meeting environmental requirements.

In the U.S., funding to maintain and improve ports is a shared responsibility between the public and private sectors. In 1999, U.S. public ports invested almost $1.5 billion to provide necessary landside infrastructure to meet shipping industry needs. During the next five years, ports predict they will spend a record $9 billion on modernizing and updating their facilities.

Port authorities spend millions of dollars each year to minimize the impacts of port operations and development on their surrounding communities and natural resources. Ports restore or enhance wildlife habitat sites, provide facilities and parks to allow public access to the waterfront, and assist in broader environmental protection efforts.

They also work to educate the public about protecting endangered species, through programs like whale watching and manatee awareness; they develop educational programs for recreational boaters; and work with local businesses and community groups to promote the use of sound environmental practices.

Through a grant from EPA, AAPA in 1998 produced an Environmental Management Handbook. It's a tool kit which offers best environmental practices for ports.

The Environmental Management Handbook@ (EMH) recognizes the need for ports to fulfill their mission as environmental stewards and reduce the environmental impacts from port operations. Ports by nature are in close proximity to highly sensitive resources and are under increasing scrutiny by the environmental community, both by the regulators and public/private interest groups. The handbook recognizes the increased pressure on ports to be caretakers of waterfront property. It identifies critical environmental issues and presents cost-effective practices that may be used to reduce impacts.

An extensive, 125-page notebook with illustrations, the EMH can be used by any of AAPA's 145 member ports throughout the Western Hemisphere, although part of the handbook includes information on regulatory issues specific to United States ports. The EMH covers such things as: port environmental management practices and tools; public outreach; and a framework for implementing an environmental management program within a port's overall management system.

If you would like a copy, please give me your card today and I will be happy to send one. Or, you can download a PDF file from our web site at aapa-ports.org.

<u>Air emissions</u>
As we know from the topic of this conference, among the investments that ports will make in their facilities will be to voluntarily reduce diesel air emissions from port equipment and trucks serving the ports.

Several U.S. ports are currently cooperating with the EPA in efforts to reduce air emissions. The rule announced last year to cut the sulfur content of diesel fuel should lead to better air quality. Port operation costs will also increase.

Ports will be looking to their partners in the maritime industry – carriers, trucks, crane manufacturers and others, to begin to implement the changes necessary for emission reductions.

Conferences such as this one are critical to begin the sort of dialogue necessary to come together and discuss improvements. We need to work in partnership to respond appropriately to regulatory agencies, and to be good environmental stewards.

We know from long experience that ports cannot afford to be bad citizens where the environment is concerned. They must live up to their role as environmental caretakers, as they take on the challenge of delivering goods to global markets, connecting each of us to the world. Thank you.